

THE MERCHANTS' BANK.

ANNUAL MEETING OF THE SHAREHOLDERS.

The annual meeting of the shareholders of the Merchants' Bank of Canada was held last Wednesday at the Bank. There was a very large attendance of shareholders. Hon. John Hamilton, the President, occupied the chair, and among those present were Sir Hugh Allan, Messrs. Andrew Allan, Robert Anderson, John McLennan, Hector Mackenzie, William Darling, Wm. Lunn, J. D. Crawford, J. Y. Gilmour, Thos. Cramp, J. D. Kinghorn, Charles R. Hosmer, Adolph Masson, J. P. Cleghorn, N. B. Corse, Robert Benny, Hugh McLennan, Jonathan Hodgson, James Dawes, A. M. Cowie, D. J. Rees, N. S. Whitney, Robert Moat, W. S. Evans, W. S. Evans, G. W. Simpson, Aldermen Hood and Holland, G. B. Burland, M. M. Tait, R. A. Ramsay and others.

On motion of the President Mr. Shaw was appointed Secretary of the meeting.

THE DIRECTORS' REPORT.

The President then called upon the General Manager to read the report of the Directors.

Mr. HAGUE then read the report, which was as follows:

The Directors of the Merchants Bank of Canada have pleasure in presenting to the stockholders the report of the business of the year just closed:—

The net profits of the year's business, after deducting charges and interest on deposits, have been..... \$762,441 83
(Provision for the bad and doubtful debts of the year is made in Contingent Fund Account.)
Add profits brought forward from 1881..... 12,264 59

\$774,706 42

This sum has been disposed of as follows:—

Dividend No. 26, at 3½ per cent. \$196,550 90
Dividend No. 27, at 3½ per cent. 199,454 28
Written off Bank premises and furniture account..... 20,000 00
Transferred to Contingent Fund..... 120,000 00
Added to the "Rest"..... 225,000 00
Balance carried forward to next year..... 13,701 24

\$774,706 42

The profits have been so much in excess of those of last year, as to admit of the payment of dividends at the rate of seven per cent. per annum instead of six, while the surplus carried forward to the different funds above named is considerably in excess of that appropriated in 1881.

This result will no doubt be satisfactory to the stockholders.

In the report presented at the last general meeting, reference was made to the revival of trade, and the improved prospects of the country.

This improvement has continued to operate, to a greater or less extent, during the year, and a good harvest of agricultural products generally, and a large production of lumber and timber, disposed of at a high range of prices, have added materially to the wealth of the country.

Our various manufacturing industries have been pressed to meet the demand for their products. There has, however, owing to unfavorable seasons, been a considerable check to the consumption of certain lines of our large and increasing imports, and stocks in consequence have accumulated to undue proportions. Payments, however, on the whole, have continued satisfactory. But it is worthy of the consideration of importers, whether their operations might not be reduced with advantage.

The development of the business of Manitoba and the Northwest, has proceeded at an unexampled rate, and is still going on.

An unhealthy land speculation that broke out last year, and that threatened, at one time, to be productive of serious consequences, has been checked, and it is to be hoped may subside altogether.

With the great emigration now going on, a rapid settlement of the country may be looked for, and a considerable increase in production.

The business of the bank has been considerably extended during the year in every department, and your Directors have confidence that it has been conducted on sound and healthy principles.

The deposits and circulation have largely expanded, and this in a legitimate and natural manner.

The discounts and loans have also increased considerably in the ordinary course of business; but the Board have been careful to employ a much larger proportion of the funds of the Bank than usual in short loans on realizable securities, so as to be prepared to meet a contraction if necessary.

The supervision of discounts and advances at the numerous offices where the business of the Bank is carried on, extending from Quebec to Winnipeg, and including New York and Chicago, has had the constant attention of the Board and Executive of the Bank.

The losses of the year have been small, and are fully provided for.

Before closing the books the annual review of the assets of the Bank took place, and every debt which had become irrecoverable was written off.

To provide for the contingencies that remained, your Board carried a considerable sum out of the profits of the year to the fund created for the purpose. After this provision was made, there still remained \$225,000 available for the Rest.

A new branch has lately been opened at Brandon, Man., under encouraging auspices, and the business of the Bank in the North-west, under the able supervision of the Winnipeg Manager, has assumed large proportions, and is in a highly satisfactory condition.

During the year the Waterloo, (Ont.) branch was closed.

The Bank have still sought opportunities of reducing the amount held in bank premises account, and succeeded in disposing of the bank buildings in Chatham and Galt at satisfactory prices. The buildings at Almonte and Levis, carried some time in real estate account, have also been disposed of.

In addition to the premises in which you are now assembled, the bank now owns free-hold buildings in St. Johns, (Que.), Belleville, Ingersoll, Kincardine, Kingston, London, Perth, Stratford, St. Thomas, Toronto, Walkerton, and Winnipeg. Some of these are very valuable properties and all are commodious and well adapted for business.

Other items of real estate have been disposed of during the year, so that the total amount now stands as follows:

	This year.	Last year.
Productive real estate.....	\$134,597	\$157,386
Unproductive.....	211,135	284,362

The General Manager and other officers of the Bank, now numbering 220 in all, have discharged their duties with zeal and assiduity, and the Board have signified their approval thereof, by a general increase of salaries, or the granting, in certain cases, of a liberal bonus.

The whole respectfully submitted,

On behalf of the Board,

[Signed,]

JOHN HAMILTON,
President.

GENERAL STATEMENT

Merchants Bank of Canada, at the close of the books 31st May, 1882.

LIABILITIES.

Notes in circulation.....	\$ 3,942,049 00
Deposits bearing interest (including interest accrued to date.....)	\$ 5,416,635 22
Deposits not bearing interest.....	4,843,652 01
Balances due to other Canadian banks keeping deposit accounts with the Merchants Bank.....	526,210 26
Balances due to other Canadian banks in daily exchanges.....	29,992 72
Balances due to banks in Great Britain.....	179,193 06
Dividends unclaimed.....	3,822 13
Dividend No. 27, payable 1st June.....	199,454 28
Total liabilities to the public.....	\$15,141,008 68
Capital paid up.....	5,698,696 66
Rest.....	750,000 00
Contingent fund.....	280,000 00
Balance carried forward to credit of profit and loss account of next year....	13,701 24
	\$21,883,406 58

ASSETS.

Gold and silver coin on hand.....	\$740,624 76
Dominion notes on hand..	716,507 65
Notes and cheques of other Canadian banks on hand.	652,471 33
Balance due by other Canadian banks in daily exchanges.....	101,060 87
Balances due by agencies of the Bank in the United States, and by United States National Banks..	2,134,730 89
Total available assets.	\$4,345,395 50
Loans, discounts and advances on current account.....	\$16,174,379 10
Loans, discounts overdue, and not specially secured	220,127 83
Loans, discounts overdue secured.....	121,495 52
Mortgages and other interest-bearing bonds and securities.....	\$16,516,002 45
Real estate—Productive....	\$134,597 38
Real estate—Unproductive	211,135 52
Bank premises and furniture.	\$345,732 90
Other assets not included under the foregoing heads	411,634 53
	4,676 72
	\$21,883,406 58

(Signed,)

G. HAGUE,
General Manager.

THE PRESIDENT'S ADDRESS.

The President then spoke as follows:—Gentlemen,—In moving the adoption of the report I think I may confidently say that the result of the operations of the Bank for the past year have been satisfactory. We have been enabled to pay a seven per cent. dividend, and to add to

our Rest the handsome sum of two hundred and twenty-five thousand dollars. According to my view, ample provision has been made for any losses which may be incurred upon the current business of the Bank, and I am satisfied that the figures which have been laid before you indicate fairly the actual position of the Bank. You will have perceived, as well by the statements laid before you as by the statements submitted by other banks, that there has been a considerable increase in the amount under discount as well in this bank as in other similar institutions, and that the business of the country has so largely increased that the total loans and discounts of all classes exceed the maximum of any former year in the history of this country. But I am not disposed to think that up to this moment the degree of expansion which has been reached can be regarded as dangerous to the permanency or solidity of our financial institutions. Abundant harvest, a large increase in the productive capacities of the manufacturing establishments of the country; and provision for the wants incidental to the opening out of the immense productive territory of the North-West, seem to afford sufficient justification for the expansion which has taken place. At the same time, when the trade of the country reaches the point which it has attained at present, it cannot be amiss to scrutinize carefully any tendencies to increase the expansion, and to exercise needful care to prevent the vigour and energy which trade has developed, from degenerating into over-trading and speculation. Subject to the exercise of caution on these points, I see no reason why we should not be able to present to you, on future occasions, an exhibit as favorable as we have this day laid before you. I do not think it necessary to say more on the business of the Bank, the more especially as I shall be followed by the General Manager, who will, no doubt, enter into the needful details respecting its business, and the executive will have pleasure in replying to any questions that may be asked desiring further information. While I am thus able to report satisfactorily upon the results of the business of the past year, I regret to be obliged to call your attention to circumstances relating to the administration which require your attention and intervention. Since the lamentable period of depression and disaster in 1876-77, when the vice-president and myself assumed the positions which your continued confidence enables us still to hold; until recently the administration of the Bank has been characterized by the harmony which alone can produce successful results. But in the course of the last half year differences arose between the general manager and assistant general manager, and the vice-president and myself endeavored to reconcile those differences in a manner as to retain the services of both officers. But, after making some progress in this direction, we found the matter taken out of our hands by the majority of the Board; and, as we afterwards understood, this action had been preconcerted at a private meeting brought about by a prominent member of the Board. The majority of the Board, under the same influence, then proceeded to decide upon the salaries of the General Manager and the Assistant Manager, and upon the re-engagement of the former for a term of years; and since that period the positions of the President and Vice-President have been practically superseded, and the initiative in important matters connected with the management of the Bank has been practically assumed by another member of the Board. My views and those of the Vice-President, and of the minority of the Board, in respect of these matters, differed from those of the majority in two respects. We considered that the General Manager and his assistant were both useful officers, possessing qualities different in character, but alike valuable in the administration of the Bank. And we would have sought so to mediate between them and arrange their duties, as, if successful, to preserve to the Bank the advantages to be derived from their ability and their intimate knowledge of its business. But we considered most the near approach of the annual meeting made it indecorous for a Board about to resign its functions to enter into lengthy engagements, binding its successors, and we would have deferred them that they might be dealt with by the new Board, after an opportunity for having the views of the shareholders had been offered them. But the majority of the Board thought otherwise, and in the manner already mentioned, took decisive action upon the matter in question. Being thus virtually superseded in our positions, the vice-president and myself perceived that it was necessary for us to follow one of two courses: namely, either to resign our offices or to retain them till the approaching general meeting. We were inclined to adopt the former course, but we reflected that as we had been placed in office at a most critical period in the history of the Bank, and having retained office thereafter with the sanction and approval of the shareholders, we should not abandon our trust without their consent and approval. We had no desire to continue in the discharge of functions always onerous and responsible; but we preferred to place them at the disposal of the shareholders, from whom we practically received them. And we felt that if they desired us to continue to exercise them, they would not ask us to do so, at the sacrifice of our self-respect, or of the unanimity and efficiency of the Board. (It is possible that some members of the Board who took part in the movement did not realize the position.) In our view the question for the shareholders is of more importance than that of the salary or re-engagement or dismissal of any officer of the Bank. It is the question of responsibility for, and control of their interests so far as these are relegated to a Board. Joint-stock banks are not an entirely new creation, but the methods and conditions of their government are not fixed by long constitutional usage, and it is quite natural that differences of opinion may exist on these points. Our views of a necessary basis is:—1. That all the power of the shareholders to use their capital under the provision of law, is relegated to the Board, to be used so long as